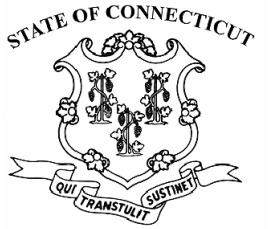

Substitute House Bill No. 5053

Public Act No. 14-123

AN ACT STRENGTHENING CONNECTICUT'S INSURANCE INDUSTRY COMPETITIVENESS.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

Section 1. (NEW) (*Effective from passage*) As used in this section and sections 2 to 14, inclusive, of this act:

(1) "Adoption date" means the date a mutual insurer's board of directors adopts a plan of reorganization;

(2) "Commissioner" means the Insurance Commissioner;

(3) "Converted company" means the domestic stock corporation into which a mutual holding company has been converted in accordance with the provisions of section 11 of this act;

(4) "Converting company" means a mutual holding company that is converting into a domestic stock corporation in accordance with the provisions of section 11 of this act;

(5) "Effective date" means the date upon which the reorganization of the mutual insurer is effective, as provided in subsection (g) of section 2 of this act;

(6) "Equity rights" means the rights conferred to members, by law or

by a mutual holding company's articles of incorporation, in the equity of such company, including the right to participate in any distribution of such company's equity or assets. "Equity rights" do not include any rights expressly conferred solely by the terms of a policy except for the right to vote;

(7) "Institution" means a corporation, stock corporation, limited liability company, association, business trust, partnership or any similar entity;

(8) "Intermediate stock holding company" means an institution (A) of which at least fifty-one per cent of its voting stock is owned from the effective date, directly or through another intermediate stock holding company, by a mutual holding company, and (B) that owns from the effective date, directly or indirectly, at least fifty-one per cent of the voting stock of at least one reorganized insurer. For purposes of calculating the percentage of voting stock, any issued and outstanding securities of the reorganized insurer or any intermediate stock holding company that are convertible into voting stock are considered voting stock;

(9) "Member" means, (A) with respect to a reorganizing insurer, a policyholder of such insurer, and (B) with respect to a mutual holding company, a person entitled to vote, by law or by the mutual holding company's charter or bylaws, at such company's meetings;

(10) "Membership interests" means the rights other than equity rights conferred to members, by law or by a mutual holding company's charter or bylaws. "Membership interests" do not include any rights expressly conferred solely by the terms of a policy;

(11) "Mutual holding company" means a corporation organized in accordance with sections 2 and 3 of this act, (A) that, from the effective date, owns, directly or through one or more intermediate stock holding

companies, at least fifty-one per cent of the voting stock of one or more reorganized insurers, (B) that is not authorized to issue voting stock, and (C) whose articles of incorporation contain the provisions set forth in subsection (c) of section 3 of this act. For purposes of calculating the percentage of voting stock, any issued and outstanding securities of the reorganized insurer or any intermediate stock holding company that are convertible into voting stock are considered voting stock;

(12) "Mutual insurer" has the same meaning as provided in section 38a-1 of the general statutes;

(13) "Officer" means an individual elected to such position by the board of directors of the mutual holding company, intermediate stock holding company or reorganized insurer, as applicable;

(14) "Outside director" means a director of the mutual holding company, intermediate stock holding company or reorganized insurer, who is not an officer or employee of such company or insurer;

(15) "Person" means an individual, a public or private corporation, a stock corporation, a limited liability company, an association, a business trust, a partnership, a board of directors, an estate, a trustee, a fiduciary, or any similar entity, or the state or any political subdivision of the state;

(16) "Plan of conversion" means a plan adopted by a mutual holding company in accordance with section 11 of this act;

(17) "Plan of reorganization" means a plan adopted by a mutual insurer in accordance with section 2 of this act;

(18) "Policy" means an individual or group insurance policy, an individual or group annuity contract or a fidelity or surety bond, issued by a mutual insurer. "Policy" does not include a reinsurance contract;

(19) "Reorganized insurer" means the domestic stock insurer into which a mutual insurer has been reorganized in accordance with the provisions of section 2 of this act;

(20) "Reorganizing insurer" means a domestic mutual insurer that is reorganizing under a plan of reorganization in accordance with the provisions of section 2 of this act;

(21) "Stock purchase right" means a nontransferable right, granted to each policyholder of the reorganized insurer that has been a policyholder of the reorganizing insurer for at least one year prior to the effective date, to acquire stock in the reorganized insurer or in any intermediate stock holding company affiliated with such insurer if such insurer or company conducts an initial public offering of voting stock;

(22) "Voting stock" means securities of any class or any ownership interest having voting power for the election of directors, trustees or management of a person. "Voting stock" does not include securities having voting power only because of the occurrence of a contingency.

Sec. 2. (NEW) (*Effective from passage*) (a) A domestic mutual insurer may reorganize, in accordance with this section and section 3 of this act, as a domestic stock insurer owned, directly or indirectly, by a mutual holding company.

(b) (1) A domestic mutual insurer seeking such reorganization shall propose a plan of reorganization that includes the reasons for the proposed reorganization and provisions for:

(A) Amending the domestic mutual insurer's articles of incorporation to reorganize such insurer into a domestic stock corporation, including provisions governing an initial voting stock offer, if any;

(B) Forming a mutual holding company, including such company's acquisition, directly or through one or more intermediate stock holding companies, of at least fifty-one per cent of the voting stock of the reorganized insurer;

(C) The succeeding of the rights, properties, debts, obligations and liabilities of the mutual insurer;

(D) The members of the reorganizing insurer becoming members of the mutual holding company;

(E) The members of the reorganizing insurer with policies in force on the effective date having equity rights and membership interests in the mutual holding company; and

(F) Any proposed fees, commissions or other consideration to be paid to any person for aiding, promoting or assisting, in any manner, such reorganization.

(2) A plan of reorganization may also include provisions restricting the ability of any person or persons acting in concert from directly or indirectly acquiring or offering to acquire the beneficial ownership of ten per cent or more of any class of voting stock of the reorganized insurer or any entity that directly or indirectly controls such insurer.

(3) The proposed plan of reorganization shall be approved by an affirmative vote of three-fourths of the board of directors of the domestic mutual insurer.

(4) Upon approval by its board of directors, a domestic mutual insurer seeking such reorganization shall submit to the Insurance Commissioner an application, in a form prescribed by the commissioner, that is executed by an authorized officer of such insurer. Such application shall be accompanied by the following:

(A) The proposed plan of reorganization;

(B) The proposed articles of incorporation of each corporation that will be a constituent corporation of the reorganization;

(C) The proposed bylaws of each corporation that will be a constituent corporation of the reorganization;

(D) The names and biographies of the officers and directors of each corporation that will be a constituent corporation of the reorganization;

(E) A resolution of the board of directors of the mutual insurer and certified by the secretary of such board, authorizing the reorganization;

(F) Financial statements in a form acceptable to the commissioner giving effect to the reorganization, for the mutual holding company and any corporation that will be a constituent corporation of the reorganization and that will experience a change in capitalization due to the reorganization;

(G) A draft of the materials the domestic mutual insurer intends to mail to its members to seek their approval of the plan, including a summary of the plan of reorganization; and

(H) Any other information the commissioner deems necessary to the commissioner's review of the proposed plan of reorganization.

(c) (1) The commissioner shall hold a public hearing on the reasons for and purpose of such reorganization, the fairness of the terms and conditions of the proposed plan of reorganization and whether such reorganization is in the best interest of the domestic mutual insurer, is fair and equitable to its members and is not detrimental to the insuring public.

(2) The reorganizing insurer shall mail a notice of the public hearing

to each member at such member's last known mailing address as shown in the insurer's records. The notice shall (A) be mailed at least sixty days prior to the date of the hearing, (B) include the date, time, place and purpose of the hearing, and (C) be accompanied or preceded by a true and complete copy of the proposed plan of reorganization or summary thereof approved by the commissioner and any other explanatory information or materials the commissioner may require. In addition, the reorganizing insurer shall provide notice of the date, time, place and purpose of the hearing by publication in three newspapers having general circulation, one of which shall be in the county in which the principal office of the reorganizing insurer is located, and two which shall be in other municipalities within or without the state and approved by the commissioner. Such notice shall be published not less than fifteen days and not more than sixty days prior to the hearing and shall be in a form approved by the commissioner. Any director, officer, employee or member of the reorganizing insurer shall have the right to appear and be heard at the hearing.

(3) (A) The commissioner shall approve or disapprove the proposed plan of reorganization, in writing, not later than sixty days after the conclusion of the public hearing held under subdivision (1) of this subsection. The commissioner shall approve the proposed plan of reorganization if the commissioner finds that: (i) The proposed reorganization is in the best interest of the reorganizing insurer; (ii) the plan is fair and equitable to the members of the reorganizing insurer; (iii) the plan will not substantially lessen competition in any line of insurance business; (iv) the plan provides for the enhancement of the operations of the reorganizing insurer; (v) the plan, when completed, provides for the reorganized insurer's paid-in capital stock to be in an amount at least equal to the minimum paid-in capital stock and the net surplus required of a new domestic stock insurer upon such domestic stock insurer's initial authorization to transact like kinds of insurance;

and (vi) the plan complies with the provisions of this section and sections 3 to 7, inclusive, of this act.

(B) The commissioner may engage the services of private consultants to assist the commissioner in determining whether a plan of reorganization meets the requirements of this section, the cost of which shall be borne by the domestic mutual insurer submitting such plan.

(C) Upon approval by the commissioner, the reorganizing insurer shall file with the commissioner the approved plan of reorganization.

(D) The commissioner may request such insurer to modify the proposed plan of reorganization if the commissioner finds that such plan does not meet the requirements for approval as set forth in subparagraph (A) of this subdivision. Such request for modification shall not prevent such insurer from withdrawing such plan pursuant to subsection (e) of this section.

(E) If the commissioner disapproves the proposed plan of reorganization, such disapproval shall be in writing and shall set forth the reasons for such disapproval. Within fifteen days after receipt of such disapproval, the reorganizing insurer may request a hearing. The commissioner shall provide such hearing within fifteen days after such request.

(d) (1) Upon approval by the commissioner of the proposed plan of reorganization, the board of directors, the chairperson of the board of directors or the president of the reorganizing insurer shall call a members' meeting to present and hold a vote on the plan of reorganization. Such meeting shall be held not earlier than thirty days after the date of the public hearing held under subsection (c) of this section. The plan shall be approved by an affirmative vote of two-thirds of the members of the reorganizing insurer.

(2) (A) The reorganizing insurer shall mail a notice of the meeting to each member at such member's last known mailing address as shown in the insurer's records. The notice shall (i) be mailed at least sixty days prior to the date of the meeting and may be combined with the public hearing notice required under subsection (c) of this section, (ii) include the date, time, place and purpose of the meeting, and (iii) be accompanied or preceded by (I) a true and complete copy of the plan of reorganization or summary thereof approved by the commissioner, (II) the financial statements described in subparagraph (F) of subdivision (4) of subsection (b) of this section, (III) a description of material risks and benefits to members' interests, (IV) any information pertaining to an initial offering of voting stock included in the plan of reorganization, and (V) any other explanatory information or materials the commissioner may require.

(B) (i) Each member whose name appears in the reorganizing insurer's records as a member on the adoption date shall be entitled to vote on the proposed plan of reorganization. Each such member shall vote by written ballot cast in person, by mail or by proxy.

(ii) The commissioner shall have the power, to the extent the commissioner deems necessary to ensure a fair and accurate vote and consistent with the provisions of this section and sections 3 to 7, inclusive, of this act, to prescribe and supervise the procedures for such vote. Such powers include, but are not limited to, the supervision and regulation of (I) the determination of members entitled to notice of the meeting and to vote on the proposed plan of reorganization, (II) the provision of notice to members of the meeting and the proposed plan or reorganization, (III) the receipt, custody, safeguarding, verification and tabulation of ballots and proxy forms, and (IV) the resolution of any disputes arising from such vote.

(e) (1) At any time before the effective date, the reorganizing insurer may, by an affirmative vote of three-fourths of its board of directors,

amend or withdraw the plan of reorganization. With respect to an amended plan of reorganization, all references to a plan of reorganization in sections 1 to 14, inclusive, of this act, shall be deemed to include such plan as amended. The reorganizing insurer shall submit any such amendment to the commissioner for approval. Upon approval by the commissioner, the reorganizing insurer shall file with the commissioner the approved plan of reorganization as amended.

(2) No amendment shall (A) be deemed to change the adoption date, or (B) change the plan of reorganization in a manner the commissioner determines is prejudicial to the members of the reorganizing insurer.

(3) (A) If the amendment is submitted after the public hearing held pursuant to subsection (c) of this section, the commissioner shall hold another public hearing on the plan of reorganization as amended, in accordance with the notice requirements set forth in subsection (c) of this section.

(B) If the amendment is submitted after the members have approved the plan of reorganization as set forth in subsection (d) of this section, the board of directors, the chairperson of the board of directors or the president of the reorganizing insurer shall call another members' meeting, in accordance with the notice requirements set forth in subsection (d) of this section, to present and hold a vote on the plan of reorganization as amended. The plan of reorganization as amended shall be approved by an affirmative vote of two-thirds of the members of the reorganizing insurer.

(f) Upon approval by the members of the reorganizing insurer, the commissioner shall issue a new certificate of authority to the reorganized insurer and approve the articles of incorporation of the mutual holding company and the articles of incorporation of the reorganized insurer. The commissioner shall provide to the mutual holding company and the reorganized insurer certificates of approval

for the articles of incorporation in such form as the commissioner prescribes.

(g) (1) The plan of reorganization shall be effective upon the date the mutual holding company and the reorganized insurer both file their articles of incorporation with the Secretary of the State, or upon such later date as is specified in the plan of reorganization or the articles of incorporation of the reorganized insurer, except that such later date shall not be more than thirty days after the date the mutual holding company files its articles of incorporation with said Secretary.

(2) If the name of a reorganizing insurer includes the word "mutual", the reorganized insurer may continue to use such word in its name unless the commissioner finds the continued use of such word is likely to mislead or deceive the public.

(3) From the effective date, (A) at least fifty-one per cent of the issued and outstanding voting stock of the reorganized insurer shall be owned, directly or through another intermediate stock holding company, by the mutual holding company, and (B) at least fifty-one per cent of the issued and outstanding voting stock of any intermediate holding company shall be owned, directly or through another intermediate stock holding company, by the mutual holding company. For purposes of calculating the percentage of issued and outstanding voting stock, any issued and outstanding securities of the reorganized insurer or any intermediate stock holding company that are convertible into voting stock are considered voting stock.

(4) Upon the effective date:

(A) The reorganizing insurer shall immediately become a domestic stock insurer, which shall be a continuation of the corporate existence of the reorganizing insurer;

(B) All rights of any person to (i) vote on any matter concerning the

reorganizing insurer, or (ii) share in any distribution of or receive any consideration based on the surplus of the reorganizing insurer in a conservation, liquidation or dissolution proceeding or under such insurer's articles of incorporation or bylaws or the general statutes, shall be extinguished, except that any rights expressly conferred solely by the terms of a policy shall not be extinguished;

(C) The members of the reorganizing insurer shall immediately become members of the mutual holding company, except that in the case of a group annuity contract issued by a reorganizing insurer that is a domestic mutual life insurer, the group policyholder only shall become a member of the mutual holding company. The rights bestowed by virtue of such membership shall continue only as long as the related policy remains in force;

(D) The members of the reorganizing insurer whose policies in force on the effective date confer the right to vote shall immediately have equity rights in the mutual holding company. Such equity rights shall continue only as long as the related policy remains in force; and

(E) All of the voting stock initially issued by the reorganized insurer shall be owned, directly or through one or more intermediate stock holding companies, by the mutual holding company.

(5) Policyholders of policies that confer the right to vote and issued after the effective date by the reorganized insurer shall be members of and have equity rights in the mutual holding company.

(h) Except as provided in the plan of reorganization approved by the commissioner, no person shall receive any fee, commission or other consideration, other than such person's regular salary and compensation, for aiding, promoting or assisting, in any manner, a reorganization under this section and sections 3 to 14, inclusive, of this act. This provision shall not be deemed to prohibit the payment of

reasonable fees and compensation to attorneys, accountants, actuaries and other individuals who are directors or officers of the reorganizing insurer for services performed in the independent practice of their professions.

Sec. 3. (NEW) (*Effective from passage*) (a) No mutual holding company shall engage in the business of insurance.

(b) A mutual holding company shall comply with all applicable provisions of law relating to the powers, duties and liabilities of corporations.

(c) A mutual holding company's articles of incorporation shall contain the following provisions that state:

(1) The company is a mutual holding company organized under this section and section 2 of this act;

(2) One purpose of the company is to own, directly or through one or more intermediate stock holding companies, at least fifty-one per cent of the voting stock of one or more reorganized insurers;

(3) The company is not authorized to issue voting stock;

(4) The company's members have the rights specified in subdivisions (4) and (5) of subsection (g) of section 2 of this act and in the company's articles of incorporation and bylaws; and

(5) The company's assets and liabilities are subject to inclusion, to the extent authorized under sections 1 to 14, inclusive, of this act, in the estate of a reorganized insurer of which the company owns voting stock in any proceeding brought against the reorganized insurer under chapter 704c of the general statutes.

(d) A mutual holding company shall file with the commissioner, not later than thirty days after the adoption of any amendment to its

bylaws, a copy of such amendment, certified by such company's secretary under such company's corporate seal.

(e) A mutual holding company may hold, directly or indirectly, multiple subsidiaries including multiple intermediate stock holding companies. An intermediate stock holding company may hold, directly or indirectly, multiple subsidiaries including multiple reorganized insurers. A mutual holding company and its subsidiaries and affiliates shall be deemed members of an insurance holding company system, as defined in section 38a-129 of the general statutes, and the provisions of sections 38a-129 to 38a-140, inclusive, of the general statutes shall apply to the extent such provisions do not conflict with the provisions in sections 1 to 14, inclusive, of this act.

(f) No mutual holding company shall make any payment of income, dividends contingent upon an apportionment of profits or any other distribution of profits except to the extent provided in such company's articles of incorporation or as otherwise directed or approved by the commissioner.

(g) Membership interests in a mutual holding company shall not be considered a security, as defined in section 36b-3 of the general statutes. A description of the membership interests and related factual disclosures shall not be deemed inducements to buy insurance in violation of section 38a-816 or 38a-825 of the general statutes, and a recipient of such description and related factual disclosures shall not be deemed to be in violation of the provisions of section 38a-825 of the general statutes.

(h) (1) The mutual holding company shall hold an annual meeting and shall mail a notice of the meeting to each member at such member's last known mailing address as shown in the company's records. The notice shall be mailed at least sixty days prior to the date of the meeting.

(2) Members of a mutual holding company may vote by proxies dated and executed within ninety days of, and returned to and recorded on the books of the company not later than seven days before, the meeting at which such proxies are to be used. Unless otherwise provided in the articles of reorganization or bylaws of the reorganizing insurer, each member of a mutual holding company shall be entitled to one vote.

(3) Unless a greater percentage for approval is required by law or specified in a mutual holding company's articles of incorporation, any required approval by the members shall be by a majority vote of the members voting.

(i) No mutual holding company shall transfer its domicile to another state for a period of five years after the effective date without the approval of the commissioner.

(j) (1) A mutual holding company may specify in its articles of incorporation or its bylaws that its directors may be divided into two or more classes, which terms of office shall expire at different times, provided no term of office shall be longer than six years. If a mutual holding company does not specify such provision in its articles of incorporation or its bylaws, the term of office for each director of such company shall be one year.

(2) Upon the expiration of a director's term of office, such director shall continue to serve until such director's successor has been elected and qualified. Any vacancy on the board that occurs prior to the expiration of a director's term of office shall be filled by a majority vote of the remaining directors, notwithstanding any quorum requirements. Any director so elected shall hold office until the next annual meeting.

Sec. 4. (NEW) (*Effective from passage*) (a) A reorganized insurer may amend its articles of incorporation that have been adopted pursuant to

a plan of reorganization and filed with the Secretary of the State, in accordance with subdivision (1) of subsection (g) of section 2 of this act, after the effective date in accordance with the provisions of chapter 601 of the general statutes.

(b) (1) A reorganized insurer may amend its plan of reorganization after the effective date. The insurer shall comply with the following:

(A) Approval by the board of directors of the reorganized insurer by a majority vote;

(B) Submission of the proposed amendment to the commissioner, in writing, in accordance with the provisions of subdivision (4) of subsection (b) of section 2 of this act; and

(C) Approval by members of the mutual holding company that were entitled to vote, as members of the former domestic mutual insurer, on the original plan of reorganization. Such approval shall be by a majority vote of the members voting. The board of directors, the chairperson of the board of directors or the president of the mutual holding company shall call a meeting for members entitled to vote, pursuant to the articles of incorporation or bylaws of the mutual holding company, to present and hold a vote on the proposed amendment. Each such member shall vote by written ballot cast in person, by mail or by proxy.

(2) If a proposed amendment under subdivision (1) of this subsection would adversely affect the rights of one or more, but not all, classes of members, only the members of each class whose rights would be adversely affected by the proposed amendment shall vote on the proposed amendment.

(3) Any such amendment shall take effect upon filing with the commissioner after compliance with and approval as required under subdivision (1) of this subsection.

(c) (1) At any time before the plan amendment becomes effective, the reorganized insurer may, by a majority vote of its board of directors, amend or withdraw the plan amendment. For an amendment to a plan amendment, all references in sections 1 to 14, inclusive, of this act to a plan amendment shall be deemed to refer to the plan amendment as amended. The reorganizing insurer shall submit any such amendment to the commissioner for approval.

(2) No amendment shall (A) be deemed to change the adoption date of the plan amendment, or (B) change the plan of reorganization in a manner the commissioner determines is prejudicial to the affected members.

Sec. 5. (NEW) (*Effective from passage*) (a) (1) A reorganized insurer may, either pursuant to the plan of reorganization or upon the prior approval of the commissioner, on any one or more occasions on or after the effective date, transfer assets or liabilities, including any one or more of its subsidiaries, to the mutual holding company or to one or more persons owned or controlled by the mutual holding company, except that the liabilities so transferred in either a single instance or in the aggregate shall not be greater than the assets so transferred. The commissioner shall approve such a proposed transfer unless the commissioner finds that the transfer would materially adversely affect the ability of the reorganized insurer to meet its obligations under its policies.

(2) The provisions of section 38a-136 of the general statutes shall not apply to any transfer made under this section.

(b) A reorganized insurer shall not acquire subsidiaries if the total adjusted capital, as defined in subsection (d) of section 38a-72 of the general statutes, of such insurer is less than three hundred per cent of its authorized control level risk-based capital, as defined in section 38a-72-1 of the regulations of Connecticut state agencies, as of any calendar

year-end after the reorganization effective date, for as long as such deficiency continues, without prior notice to and review by the commissioner.

Sec. 6. (NEW) (*Effective from passage*) (a) In the case of a reorganizing insurer that is a mutual life insurer, upon the effective date the reorganizing insurer shall, at its option, either:

(1) (A) Establish a closed block for policyholder dividend purposes only, consisting of all participating individual policies of the reorganizing insurer in force on the effective date and for which the insurer had an experience-based dividend scale payable in the year in which the plan of reorganization was adopted. On or before the effective date, such insurer shall allocate assets to such closed block in an amount that produces cash flows, together with anticipated revenues from the closed block business that is sufficient to support the closed block business, including provision for payment of claims, expenses and taxes specified in the plan of reorganization and continuation of dividend scales in effect on the adoption date, if the experience underlying such scales continues. No policies entering into force after the effective date shall be included in the closed block; and

(B) May provide, with the approval of the commissioner, under its terms for the establishment of the closed block, for conditions under which the reorganized insurer may cease to maintain the closed block and allocation of assets thereto, provided the policies constituting closed block business shall remain obligations of the reorganized insurer and dividends on such policies shall be apportioned by the board of directors of the reorganized insurer in accordance with the terms of such policies and any applicable provisions of law; or

(2) Provide an alternative practice to subdivision (1) of this subsection that protects the contractual rights of individual policyholders of the reorganizing insurer with policies in force on the

effective date, if the commissioner determines that such alternative is substantially as protective of the interests of individual participating policyholders as the establishment of a closed block pursuant to subdivision (1) of this section.

(b) The equity interest of the policyholders of the reorganized insurer shall be equal in the aggregate to the value of the entire capital and surplus of the mutual holding company, excluding any funds required to be held in segregated accounts by federal law. Such equity interest shall be the basis for consideration to policyholders in the event the mutual holding company converts into a domestic stock corporation as set forth in subparagraph (B) of subdivision (1) of subsection (b) of section 11 of this act.

(c) At the end of the third year following the year of reorganization and at the end of each third year thereafter or more frequently as determined by the commissioner, an independent accounting or actuarial firm shall provide a report to the commissioner, the board of directors of the mutual holding company and the board of directors of the reorganized insurer attesting to whether or not the closed block and related assets, or alternative practice pursuant to subdivision (2) of subsection (a) of this section, has been administered in accordance with the plan of reorganization. Such firm shall take into consideration the dividend payments to policyholders resulting from the closed block and any other relevant factors. The reorganized insurer shall pay the expenses incurred in retaining the independent accounting or actuarial firm. Such report shall be completed and delivered to the commissioner, the board of directors of the mutual holding company and the board of directors of the reorganized insurer not later than the close of business on April first following the end of the period for which such report is being provided.

Sec. 7. (NEW) (*Effective from passage*) (a) (1) The offering of voting stock by a reorganized insurer or intermediate stock holding company

to any person other than the mutual holding company or a wholly owned subsidiary thereof, which offering is the first to occur after the effective date of the plan of reorganization, shall be made only in accordance with such provisions as the plan of reorganization may contain governing such an initial offering or with the prior approval of the commissioner after submission of an application by the proposed issuer. The commissioner shall approve any such application unless the commissioner finds, (A) in the case of a public offering, that the offering would not be conducted in a manner generally consistent with customary practices for initial public offerings to the extent reasonably comparable, or (B) in the case of any other offering, that the offering would be prejudicial to the members of the mutual holding company. Nothing in this subsection shall prohibit the filing of a registration statement with the Securities and Exchange Commission or the Secretary of the State prior to such approval.

(2) The commissioner may engage the services of private consultants to assist the commissioner in determining whether an application under subdivision (1) of this subsection meets the requirements of this section, the cost of which shall be borne by the proposed issuer submitting such application.

(b) For purposes of this section, any securities of the reorganized insurer or any intermediate stock holding company that are convertible into voting stock shall be considered voting stock.

(c) All references to a specified percentage of voting stock of any person means securities having the specified percentage of the voting power in that person for the election of directors, trustees or management of that person, other than securities having voting power only because of the occurrence of a contingency.

(d) No stock purchase right shall provide for a purchase of less than fifty shares of the common stock being offered in the public offering.

The price per share shall be equal to the public offering price. In the event that the exercise of such right exceeds fifty per cent of the number of shares being offered to the public or such lesser percentage as may be approved by the commissioner, exercise of such stock purchase right shall be subject to proration, subject to a minimum of fifty shares. A stock purchase right shall be subject to any exclusions or limitations authorized by law applicable to particular classes of policyholders.

Sec. 8. (NEW) (*Effective from passage*) (a) (1) Until six months after the completion of an initial public offering, private equity placement or the first issuance of public or private stock or securities convertible into voting stock of a reorganized insurer or an intermediate stock holding company, to any person other than the mutual holding company or an intermediate stock holding company, neither the reorganized insurer nor an intermediate stock holding company shall award any stock options or stock grants to persons who are officers or directors of the mutual holding company, the reorganized insurer or an intermediate stock holding company, except if a reorganized insurer or its intermediate stock holding company distributes stock purchase rights to the policyholders of a reorganized insurer in connection with a public offering of stock, then officers and directors who are policyholders of such reorganized insurer shall receive and may exercise such stock purchase rights on the same basis as all other such policyholders.

(2) Until two years after the end of the six-month period set forth in subdivision (1) of this subsection, no officer, director or outside director of the mutual holding company, intermediate stock holding company and reorganized insurer shall own beneficially, in the aggregate, more than five per cent of the voting stock of the intermediate stock holding company or reorganized insurer.

(3) After the two-year period set forth in subdivision (2) of this

subsection, no officer or director of the mutual holding company, intermediate stock holding company or reorganized insurer shall own beneficially, in the aggregate, more than eighteen per cent of the voting stock of the intermediate stock holding company or reorganized insurer, except that the commissioner may find, in the event of a distress situation, that beneficial ownership of more than eighteen per cent in the aggregate by officers or directors is necessary and appropriate.

(4) No person shall, directly or indirectly, offer to acquire or acquire, in any manner, beneficial ownership of more than ten per cent of any class of voting stock of the reorganized insurer, an intermediate stock holding company or any other institution that owns, directly or indirectly, a majority of the voting stock of the reorganized insurer, without the prior approval of the commissioner.

(b) (1) If a mutual holding company elects to cause an intermediate stock holding company or a reorganized insurer to conduct an initial public offering, initial private equity placement or the first issuance of public or private stock or securities convertible into voting stock, such company shall, subject to any limitations under law applicable to particular classes of policyholders, cause each eligible person to receive stock purchase rights in connection with such initial offering or issuance, unless a committee consisting of such company's outside directors determines by an affirmative vote of two-thirds that such stock purchase right offering would not be in the best interests of the members of such company. Such determination shall be subject to approval by the commissioner.

(2) Except in the event of death or disability of such officer or director, no officer or director of a mutual holding company, intermediate stock holding company or reorganized insurer who holds voting stock or securities convertible into voting stock shall sell such stock or securities for a period of at least one year following the date of

an initial offering or issuance of such stock or securities.

(c) (1) Nothing in sections 1 to 14, inclusive, of this act shall prevent a mutual holding company, an intermediate stock holding company or a reorganized insurer from issuing stock of the intermediate stock holding company or the reorganized insurer to a trust, qualified under the Internal Revenue Code of 1986, or any subsequent corresponding internal revenue code of the United States, as amended from time to time, and established in connection with an employee stock ownership plan or other employee benefit plan for employees of the mutual holding company, intermediate stock holding company or reorganized insurer. The stock initially issued to such stock ownership or benefit plan shall not exceed, in the aggregate, five per cent of the stock initially issued.

(2) No individual shall receive more than twelve and one-half per cent of the stock. No director who is not an employee shall receive more than two and one-half per cent of the stock individually or more than fifteen per cent in the aggregate. In no event shall any individual exceed the ownership limitation set forth in subdivision (3) of subsection (a) of this section.

(d) Nothing in this section shall be deemed to prohibit: (1) The purchase for cash of voting stock issued by an intermediate stock holding company or a reorganized insurer by officers, directors, employees, employee stock ownership plans or employee benefit plans of a mutual holding company, an intermediate stock holding company or a reorganizing insurer, in accordance with reasonable classifications of such individuals and plans and at the same price offered to the public in any public offering; or (2) the establishment by a mutual holding company, an intermediate stock holding company or a reorganized insurer of stock option, incentive or share ownership plans customary for publicly traded companies, subject to the limitations set forth in this section.

Sec. 9. (NEW) (*Effective from passage*) (a) Two or more mutual holding companies, at least one of which is a domestic company, may merge or consolidate under the laws of any state into a mutual holding company incorporated under the laws of such state. The resulting company may be a continuing company under the name of one or more of the merged or consolidated companies or a new company. If the continuing or new company is to be a domestic company: (1) It shall be subject to the provisions of sections 2 to 14, inclusive, of this act; (2) its name shall be subject to approval by the commissioner; (3) the members of any mutual holding company whose existence will cease upon the effective date of such merger or consolidation shall become members of the continuing mutual holding company; and (4) all persons with equity rights in any mutual holding company whose existence will cease upon the effectiveness of such merger or consolidation shall have equity rights in the continuing mutual holding company.

(b) (1) Companies merging or consolidating under this section shall enter into a written agreement for such merger or consolidation prescribing the terms and conditions of such merger or consolidation. Such agreement shall be approved by a majority vote of the board of directors of each domestic company participating in such merger or consolidation and shall be subject to the written approval of the commissioner, who shall consider the fairness of the terms and conditions of the agreement, whether the interests of the members of each domestic mutual holding company that is a party to the agreement are protected and whether the proposed merger or consolidation is in the public interest.

(2) If the continuing or new mutual holding company is to be a domestic company, such agreement shall be (A) executed in duplicate by the president and secretary of each company under its corporate seal, (B) accompanied by copies of the resolutions of each company

authorizing the merger or consolidation and the execution of the agreement attested by the recording officer of each company, and (C) submitted to the commissioner with the records required under this subdivision. If it appears to the commissioner that each company has complied with the requirements of this section, the commissioner may certify and approve the agreement. The commissioner shall file one of the duplicates of such agreement with the Secretary of the State, who shall record such agreement and issue a certificate of reincorporation to the continuing company or the new company with the powers retained and specified in the agreement. The commissioner shall retain the other duplicate. No such agreement shall take effect until the commissioner has filed such agreement with the Secretary of the State.

(3) If the continuing or new company is to be a foreign company, such agreement and such other information as the commissioner may require shall be filed with the commissioner and shall not be executed until approved by the commissioner. Upon the commissioner's approval, the new or continuing company shall file with the commissioner, in such form as the commissioner may require, documentary evidence showing the date when the merger or the consolidation becomes effective. If the commissioner finds that such agreement has been filed in accordance with this subdivision, the commissioner shall file with the Secretary of the State a certificate setting forth the merger or consolidation, including the effective date of the merger or consolidation. The corporate existence of the domestic mutual holding company shall cease on said effective date.

(4) The companies merging or consolidating shall each call a special members' meeting for the purpose of presenting and holding a vote on such agreement. Such companies shall provide notice of such meeting to members in a manner prescribed by the commissioner. Such agreement shall be approved by an affirmative vote of two-thirds of the members of each such company as are present and voting at such

meeting.

(c) If the continuing or new company is a domestic company, upon such merger or consolidation all rights and properties of the several companies shall accrue to and become the rights and properties of the continuing or new company, which shall succeed to all the obligations and liabilities of the merged or consolidated companies in the same manner as if they had been incurred or contracted by such continuing or new company.

(d) No action or proceeding pending in any court of this state at the time of the merger or consolidation in which any such domestic company is or may be a party shall abate or be discontinued by reason of the merger or the consolidation, but may be prosecuted to final judgment in the same manner as if the merger or the consolidation had not taken place. The continuing or new company may be substituted in place of any such domestic company by order of the court in which the action or proceeding is pending.

(e) Nothing in this section shall authorize the merger or consolidation of stock companies with mutual holding companies.

Sec. 10. (NEW) (*Effective from passage*) (a) A domestic mutual insurer may reorganize with an existing domestic or foreign mutual holding company, in which case the plan of reorganization of the domestic mutual insurer shall provide that (1) the domestic mutual insurer will become a domestic stock insurer, (2) the members of the domestic mutual insurer will become members of the mutual holding company, (3) the members of the reorganizing insurer whose policies were in force on the effective date shall, as of the effective date, have equity rights in the mutual holding company, and (4) the mutual holding company will acquire, directly or through one or more intermediate stock holding companies, at least fifty-one per cent of the voting stock of the reorganized insurer.

(b) An existing domestic mutual holding company may, with the approval of the commissioner:

(1) Acquire direct or indirect ownership of a converting foreign mutual insurer that becomes a stock insurer in compliance with the laws of its state of domicile; and

(2) Grant membership interests and equity rights to the members or policyholders of a foreign mutual insurer that merges with a direct or indirect domestic or foreign subsidiary of the domestic mutual holding company. Such subsidiary of a domestic mutual holding company may merge with such a foreign mutual insurer pursuant to section 38a-153 of the general statutes, as amended by this act.

(c) In determining whether to approve such acquisition or grant, the commissioner may consider the fairness of the terms and conditions of the transaction, whether the interests of the members of each domestic mutual holding company that is a party to the transaction are protected and whether the proposed transaction is in the public interest.

Sec. 11. (NEW) (*Effective from passage*) (a) A domestic mutual holding company may convert to a domestic stock corporation pursuant to a plan of conversion.

(b) (1) A domestic mutual holding company seeking such conversion shall propose a plan of conversion that includes the reasons for the proposed conversion and provisions for:

(A) Amending the mutual holding company's articles of incorporation to convert such company to a domestic stock corporation;

(B) Giving each person holding equity rights in the mutual holding company appropriate consideration in exchange for such rights. Such

consideration shall be equal, in the aggregate, to the value of the entire capital and surplus of the mutual holding company, excluding any funds required to be held in segregated accounts by federal law and shall be determinable under a fair and reasonable formula approved by the commissioner.

(i) If the plan of conversion provides for the mutual holding company to continue as a surviving corporation after the conversion, then consideration to eligible policyholders shall be in the form of stock, cash or other form of compensation as approved by the commissioner. Distribution of all the stock of the converting company to eligible policyholders, or in the case of certain eligible policyholders other consideration of equivalent value, shall constitute appropriate consideration under this subparagraph.

(ii) If the plan of conversion does not provide for the mutual holding company to continue as a surviving corporation after the conversion, then consideration payable in such form as permitted under this section shall be distributed to eligible policyholders;

(C) Giving each person holding equity rights a preemptive right to acquire such person's proportionate part of all the proposed capital stock of the converted company and to apply, upon the purchase of such stock, the amount of such person's consideration as determined under subparagraph (B) of this subdivision.

(i) Such plan may provide that (I) such person may not purchase or receive stock pursuant to this section if such stock has an aggregate subscription price of two thousand dollars or less, and (II) such preemptive right shall not apply to such persons who reside in jurisdictions in which the issuance of stock is impossible, would involve unreasonable delay or would require the converting company to incur unreasonable costs, provided any such person shall receive such person's consideration in cash.

(ii) In the case of a plan of conversion in which the appropriate consideration received by persons under subparagraph (B) of this subdivision is stock of a corporation in a transaction authorized under this section, or other consideration as approved by the commissioner, the plan of conversion shall provide either (I) that no member or person holding equity rights in the converting company shall have any preemptive right to acquire any of the proposed capital stock of the converted company or of the proposed parent or other corporation, or (II) for preemptive rights on such other terms as approved by the commissioner;

(D) The offering of shares to persons holding equity rights in the mutual holding company, at a price not greater than that to be offered to others under such plan of conversion;

(E) The payment to each person holding equity rights in the mutual holding company of consideration, which may consist of cash, securities, a certificate of contribution, additional insurance under policies issued by a reorganized insurer or other consideration or any combination of such forms of consideration;

(F) Any proposed fees, commissions or other consideration to be paid to any person for aiding, promoting or assisting, in any manner, such conversion; and

(G) The effective date of such conversion.

(2) A plan of conversion may also include provisions restricting the ability of any person or persons acting in concert from directly or indirectly acquiring or offering to acquire the beneficial ownership of ten per cent or more of any class of voting stock of the converted company or any entity that directly or indirectly controls such company.

(3) Each person whose name appears in the converting company's

records as a person holding equity rights on both the December thirty-first immediately preceding the effective date of such conversion and the date the converting company's board of directors first voted to convert shall be entitled to participate in the distribution of consideration and the purchasing of stock.

(4) The proposed plan of conversion shall be approved by an affirmative vote of three-fourths of the board of directors of the domestic mutual holding company.

(5) Upon approval by its board of directors, the domestic mutual holding company seeking such conversion shall submit the proposed plan of conversion to the Insurance Commissioner.

(c) (1) The commissioner shall hold a public hearing on the reasons for and purpose of such conversion, the fairness of the terms and conditions of the proposed plan of conversion and whether such conversion is in the best interest of the domestic mutual holding company, is fair and equitable to its members and is not detrimental to the insuring public.

(2) The converting company shall mail a notice of the public hearing to each member at such member's last known mailing address as shown in the company's records. The notice shall (A) be mailed at least sixty days prior to the date of the hearing, (B) include the date, time, place and purpose of the hearing, and (C) be accompanied or preceded by a true and complete copy of the proposed plan of conversion or a summary thereof approved by the commissioner and any other explanatory information or materials the commissioner may require. In addition, the converting company shall provide notice of the date, time, place and purpose of the hearing by publication in three newspapers having general circulation, one of which shall be in the county in which the principal office of the converting company is located, and two which shall be in other municipalities within or

without the state and approved by the commissioner. Such notice shall be published not less than fifteen days and not more than sixty days prior to the hearing and shall be in a form approved by the commissioner. Any director, officer, employee or member of the converting company shall have the right to appear and be heard at the hearing.

(3) (A) The commissioner shall approve or disapprove the proposed plan of conversion, in writing, not later than sixty days after the conclusion of the public hearing held under subdivision (1) of this subsection. The commissioner shall approve the proposed plan of conversion if the commissioner finds that: (i) The proposed conversion is in the best interest of the converting company; (ii) the plan is fair and equitable to the members of the converting company; (iii) the plan will not substantially lessen competition in any line of insurance business; (iv) the plan provides for the enhancement of the operations of the converting company; (v) the plan complies with the provisions of this section; and (vi) the converting company has not, (I) through a reduction in volume of new business written, cancellations by a reorganized insurer or any other means, reduced, limited or affected or sought to reduce, limit or affect, the number or identity of the converting company's members or persons holding equity rights in such company that are entitled to participate in such plan, or (II) otherwise secured or attempted to secure any unfair advantage through such plan for individuals comprising the management of such company.

(B) If the commissioner disapproves the proposed plan of conversion, such disapproval shall be in writing and shall set forth the reasons for such disapproval. Within fifteen days after receipt of such disapproval, the converting company may request a hearing. The commissioner shall provide such hearing within fifteen days after such request.

(4) The commissioner may engage the services of private consultants to assist the commissioner in determining whether a plan of conversion meets the requirements of this section, the cost of which shall be borne by the domestic mutual holding company submitting such plan.

(5) Upon approval by the commissioner, the converting company shall file with the commissioner the approved plan of conversion.

(d) (1) Upon approval by the commissioner of the proposed plan of conversion, the board of directors, the chairperson of the board of directors or the president of the converting company shall call a members' meeting to present and hold a vote on the plan of conversion. Such meeting shall be held not earlier than thirty days after the date of the public hearing held under subsection (c) of this section. The plan shall be approved by an affirmative vote of two-thirds of the members of the converting company.

(2) The converting company shall mail a notice of the meeting to each member at such member's last known mailing address as shown in the company's records. The notice shall (A) be mailed at least sixty days prior to the date of the meeting and may be combined with the public hearing notice required under subsection (c) of this section, (B) include the date, time, place and purpose of the meeting, and (C) be accompanied or preceded by a true and complete copy of the plan of conversion or a summary thereof approved by the commissioner and any other explanatory information or materials the commissioner may require.

(3) Each member entitled to vote shall vote by written ballot cast in person, by mail or by proxy.

(4) The commissioner shall have the power, to the extent the commissioner deems necessary to ensure a fair and accurate vote and

consistent with the provisions of this section, to prescribe and supervise the procedures for such vote. Such powers include, but are not limited to, the supervision and regulation of (A) the determination of members entitled to notice of the meeting and to vote on the proposed plan of conversion, (B) the provision of notice to members of the meeting and proposed plan of conversion, (C) the receipt, custody, safeguarding, verification and tabulation of ballots and proxy forms, and (D) the resolution of disputes arising from such vote.

(e) (1) Upon approval by the members of the converting company, the conversion shall be effective on the date specified in the plan of conversion.

(2) Upon such date, (A) the converting company shall immediately become a domestic stock corporation and all rights and properties of the converting company shall accrue to and become, without any deed or transfer, the rights and properties of the converted company, which shall succeed to all the obligations and liabilities of the converting company, and (B) all membership interests and equity rights in the domestic mutual holding company shall be extinguished.

(f) Except as provided in the plan of conversion approved by the commissioner, no person shall receive any fee, commission or other consideration, other than such person's regular salary and compensation, for aiding, promoting or assisting, in any manner, a conversion under this section. This provision shall not be deemed to prohibit the payment of reasonable fees and compensation to attorneys, accountants and other individuals who are directors or officers of the converting company for services performed in the independent practice of their professions.

(g) Nothing in this section shall be deemed to prohibit the purchase for cash, by individuals comprising the management or employee group of a converting company, an intermediate stock holding

company or a reorganized insurer, of shares of stock not taken on a preemptive offering by persons holding equity rights, in accordance with reasonable classifications of such individuals and at the same price offered to such persons holding equity rights.

Sec. 12. (NEW) (*Effective from passage*) (a) (1) For a period of ten years from the effective date of a plan of reorganization under section 2 of this act, if any proceedings are brought under chapter 704c of the general statutes or pursuant to such plan of reorganization, naming as a party a domestic stock insurer created as a result of a reorganization authorized under sections 2 to 7, inclusive, of this act, the mutual holding company formed as part of the reorganization shall become a party to such proceedings.

(2) The assets of such mutual holding company, including, but not limited to, its interest in any intermediate stock holding company formed pursuant to sections 2 to 7, inclusive, of this act shall be deemed assets of the estate of the reorganized insurer to the extent necessary to satisfy claims against the reorganized insurer of persons who have claims falling within the priorities established in subdivisions (1) to (4), inclusive, of subsection (a) of section 38a-944 of the general statutes, except that no mutual holding company's contribution to the estate of a reorganized insurer pursuant to this subdivision shall exceed the value of assets, net of liabilities, that such reorganized insurer transferred to the mutual holding company or to one or more persons owned or controlled by the mutual holding company pursuant to subsection (a) of section 5 of this act. Claims of persons in their capacity as members of the mutual holding company shall have the same priority as members of a mutual insurer authorized to do the same kinds of business as the reorganized insurer would have upon the liquidation of such an insurer under section 38a-944 of the general statutes.

(3) A mutual holding company may not dissolve, liquidate or wind

up and dissolve without the prior written approval of the commissioner or the court pursuant to proceedings brought under chapter 704c of the general statutes.

(b) Except as provided in subsections (d) and (e) of this section, an action shall be commenced:

(1) (A) For an action concerning a plan or a proposed plan of reorganization, not later than one year after the plan or proposed plan was filed with the commissioner pursuant to subparagraph (C) of subdivision (3) of subsection (c) of section 2 of this act or six months after the effective date of such plan, whichever is later, or (B) if a plan or proposed plan of reorganization was withdrawn, not later than six months after the date the plan or proposed plan was withdrawn;

(2) (A) For an action concerning a plan amendment or a proposed plan amendment under section 4 of this act, not later than one year after the plan amendment or proposed amendment is filed with the commissioner pursuant to subdivision (3) of subsection (b) of section 4 of this act or six months after the effective date of such amendment, whichever is later, or (B) if a plan amendment or proposed plan amendment was withdrawn, not later than six months after the date such amendment was withdrawn;

(3) For an action arising out of a transfer of assets or liabilities pursuant to section 5 of this act or an offering of voting stock pursuant to subsection (a) of section 7 of this act, which transfer or offering was not contemplated by the plan of reorganization, not later than one year after the date of such transfer or offering;

(4) For an action concerning a plan or proposed plan of conversion under section 11 of this act or any acts taken or proposed to be taken under section 11 of this act, not later than one year after the plan of conversion is filed with the commissioner pursuant to subdivision (5)

of subsection (c) of section 11 of this act or six months after the effective date of such plan, whichever is later.

(c) In any action specified in subsection (b) of this section, upon a motion of the mutual holding company, an intermediate stock holding company, the reorganizing insurer or the reorganized insurer that establishes to the satisfaction of the court that a substantial likelihood exists that such action was brought without merit and with an intention to delay or harass, the party that brought such action shall be required to give adequate security for the damages and reasonable expenses, including attorneys' fees, that may be incurred by such company and any other defendants in such action or for which such company may become liable, as a result of or in connection with such action. The mutual holding company, intermediate stock holding company, reorganizing insurer or reorganized insurer shall have recourse to such security in such amount as the court determines upon the termination of such action. The amount of security may from time to time be increased or decreased at the discretion of the court upon a showing that the security provided is or may become inadequate or excessive.

(d) Any action seeking a stay, restraining order, injunction or similar remedy to prevent or delay the closing of any transaction under sections 2 to 14, inclusive, of this act or of any transaction described in a plan of reorganization or a plan of conversion shall be commenced not later than thirty days after the approval of the plan of reorganization by the commissioner pursuant to subparagraph (A) of subdivision (3) of subsection (c) of section 2 of this act, the approval of the commissioner pursuant to subsection (a) of section 5 of this act or subsection (a) of section 7 of this act or approval of the plan of conversion by the commissioner pursuant to subparagraph (A) of subdivision (3) of subsection (c) of section 11 of this act, as applicable.

(e) Any action or proceeding against the commissioner or any other

governmental body or officer in connection with any act taken or order issued pursuant to sections 2 to 14, inclusive, of this act shall be commenced not later than thirty days after the date of the taking of such act or the signing of such order.

Sec. 13. (NEW) (*Effective from passage*) All information, documents and copies of such information and documents obtained by or disclosed to the commissioner or any other person in the course of preparing, filing or processing an application to reorganize, merge, consolidate or convert pursuant to sections 2 to 14, inclusive, of this act, other than information or documents distributed to members or filed or submitted as evidence in connection with a public hearing under sections 2 to 14, inclusive, of this act shall (1) be confidential by law and privileged, (2) not be subject to disclosure under section 1-210 of the general statutes, (3) not be subject to subpoena, and (4) not be subject to discovery or admissible in evidence in any civil action. The commissioner shall not make such information, documents or copies public without the prior written consent of the insurer to which it pertains unless the commissioner, after giving the insurer and its subsidiaries and affiliates that would be affected thereby notice and opportunity to be heard, determines that the interests of members, policyholders, security holders or the public will be served by the publication of such information, documents or copies, in which event the commissioner may publish all or any part of such information, documents or copies in such manner as the commissioner deems appropriate. The commissioner may use such information, documents and copies in the furtherance of any regulatory or legal action brought as part of the commissioner's official duties.

Sec. 14. (NEW) (*Effective from passage*) The commissioner may adopt regulations in accordance with the provisions of chapter 54 of the general statutes to implement the provisions of sections 2 to 13, inclusive, of this act.

Sec. 15. Section 38a-153 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage*):

(a) Any domestic insurance company may, with the prior approval of the commissioner, merge or consolidate with one or more other domestic insurance companies or with one or more foreign or alien insurance companies that are either authorized to do an insurance business in this state, or are not authorized to do an insurance business in this state provided the resulting corporation is a corporation of this state and the laws of the other jurisdictions so permit. Prior to approving any such merger or consolidation, the commissioner may hold a hearing upon the fairness of the terms and conditions of the proposed merger or consolidation after such notice as, under the circumstances, the commissioner deems appropriate and shall find that the interests of the policyholders and the interests of the stockholders, if any, are protected. Such merger or consolidation may be effected either in accordance with the provisions of the general statutes relating to merger or consolidation of corporations organized under the general statutes or in accordance with any provisions in the charters of the companies merging or consolidating relating to merger or consolidation. All expenses in connection with the proceedings shall be borne by the resulting corporation.

(b) The domestic or foreign subsidiary of an existing domestic mutual holding company, as defined in section 1 of this act, may, with the prior approval of the commissioner, merge with a foreign mutual insurer in accordance with the provisions of this section.

[(b)**]** (c) In the event of any merger or consolidation **[**which**]** that is for the purpose or has the effect of acquiring control of a domestic insurance company, the provisions of sections 38a-129 to 38a-140, inclusive, shall apply.

Sec. 16. (NEW) (*Effective from passage*) As used in this section and

sections 17 to 21, inclusive, of this act:

(1) "Alien insurer" has the same meaning as provided in section 38a-1 of the general statutes;

(2) "Authorized control level risk-based capital" means the number determined in accordance with the risk-based capital formula set forth in subsection (d) of section 38a-72 of the general statutes and regulations adopted thereunder;

(3) "Commissioner" means the Insurance Commissioner;

(4) "Domestic insurer" has the same meaning as provided in section 38a-1 of the general statutes;

(5) "Domestication" or "domesticate" means the reorganization of a United States branch of an alien insurer, in which a domestic insurer succeeds to all the business and assets and assumes all the liabilities of the United States branch;

(6) "State" has the same meaning as provided in section 38a-1 of the general statutes;

(7) "Trusteed assets" means the assets in a trust account established pursuant to section 18 of this act;

(8) "Trusteed surplus" means the aggregate value of the United States branch's general state deposits and trusteed assets deposited in a trust account established pursuant to section 18 of this act plus accrued investment income on such deposits and assets where such interest is collected for trustees by the state, less the aggregate net amount of all of the United States branch's reserves and other liabilities in the United States as determined in accordance with section 19 of this act;

(9) "United States" has the same meaning as provided in section 38a-1 of the general statutes;

(10) "United States branch" means the business unit in this state through which an alien insurer transacts the business of insurance in the United States.

Sec. 17. (NEW) (*Effective from passage*) Unless otherwise provided, all applicable state laws that apply to domestic insurers shall apply to a United States branch established in accordance with sections 18 to 21, inclusive, of this act.

Sec. 18. (NEW) (*Effective from passage*) (a) An alien insurer may use this state as such insurer's state of entry through a United States branch to transact the business of insurance in the United States by:

(1) Qualifying its United States branch as an insurer licensed to do business in this state in accordance with section 38a-41 of the general statutes; and

(2) Establishing a trust account pursuant to a trust agreement, approved by the commissioner in accordance with subsection (c) of this section, with a qualified United States financial institution, as defined in section 38a-87 of the general statutes, with funds in an amount not less than the minimum capital and surplus or authorized control level risk-based capital, whichever is greater, required to be maintained by a domestic insurer licensed to write the same kind of insurance. Except as provided in subparagraph (H)(i)(III) of subdivision (4) of subsection (c) of this section, such minimum amount shall be maintained in such trust account at all times.

(b) Prior to authorizing a United States branch, the commissioner shall require the alien insurer to:

(1) Comply with the reporting requirements set forth in section 38a-41 of the general statutes;

(2) Submit an English translation, as necessary, of any of the

documents required under section 38a-41 of the general statutes; and

(3) Submit to an examination of its affairs at its principal office in the United States, except that the commissioner may accept an examination report of the insurance regulatory official of the country under which laws such insurer is organized.

(c) (1) The trust agreement required under subdivision (2) of subsection (a) of this section shall set forth the terms of such agreement in a deed of trust. Such deed and all subsequent amendments to such deed shall be authenticated in a form and manner prescribed by the commissioner.

(2) No deed of trust or amendment to such deed shall be effective unless approved by the commissioner upon a finding that:

(A) Such deed or amendment is sufficient in form and conforms with applicable laws;

(B) The trustee or trustees of the trust account are eligible to serve as such; and

(C) Such deed or amendment is adequate to protect the interests of the beneficiaries of the trust. If at any time, after notice and hearing, the commissioner finds that the deed of trust no longer complies with the requirements for approval, the commissioner may withdraw such approval.

(3) The commissioner may approve modifications of or variations in any deed of trust, provided such modifications or variations are not, in the commissioner's judgment, prejudicial to the interests of the residents of this state or to policyholders or creditors in the United States of the United States branch.

(4) The deed of trust shall contain provisions that:

(A) Vest legal title to trusteed assets in the trustee or trustees and their lawfully appointed successors;

(B) Require all assets deposited in the trust be continuously kept within the United States;

(C) Provide for substitution of a new trustee or trustees, subject to approval by the commissioner, in the event of a vacancy;

(D) Require the trustee or trustees to continuously maintain a record of the trusteed assets that is at all times sufficient to identify such assets;

(E) Require the trusteed assets to consist of cash or investments or both and accrued investment income if collectible by the trustee or trustees;

(F) Require the trust to be for the exclusive benefit, security and protection of the policyholders, or the policyholders and creditors in the United States, of the United States branch;

(G) Require the trust to be maintained as long as there is any outstanding liability of the alien insurer arising out of such insurer's insurance transactions in the United States; and

(H) (i) Provide that no withdrawals of assets, other than income as specified in subdivision (5) of this subsection, shall be made or permitted by the trustee or trustees without the approval of the commissioner, except to (I) make deposits required by law in any state for the security or benefit of all policyholders, or policyholders and creditors in the United States, of the United States branch, (II) substitute other assets as permitted by law and at least equal in value and quality to the assets withdrawn, upon the specific written direction of the manager of the United States branch when such manager has been empowered by and is acting pursuant to specific or

general written authority previously given to or delegated to such manager by the board of directors of such United States branch, or (III) notwithstanding the minimum amount required to be maintained under subdivision (2) of subsection (a) of this section, transfer assets to an official liquidator or rehabilitator pursuant to an order of a court of competent jurisdiction.

(ii) The approval of the commissioner for a withdrawal of assets under this subparagraph shall not be required if the withdrawal is of trusteed assets deposited in another state and the deed of trust requires the written approval of the insurance regulatory official of such state for such withdrawal, provided the minimum amount required under subdivision (2) of subsection (a) of this section is maintained in the trust. The manager of the United States branch shall notify the commissioner in writing of the nature and amount of any such withdrawal.

(5) The deed of trust may provide that income, earnings, dividends or interest accumulations of the trust assets may be paid to the manager of the United States branch upon request, provided the minimum amount required under subdivision (2) of subsection (a) of this section is maintained in the trust.

(d) The commissioner may (1) examine the trusteed assets of a United States branch at the alien insurer's expense, and (2) require the trustee or trustees of a trust account of such United States branch to file a statement, in such form as the commissioner prescribes, certifying the amounts and assets of the trust account.

(e) The commissioner may revoke the license of an alien insurer authorized to transact the business of insurance pursuant to this section or liquidate the United States branch if any trustee of a trust account of such United States branch violates or refuses to comply with any provision of this section.

Sec. 19. (NEW) (*Effective from passage*) (a) Not later than March first, annually, for an annual statement, and not later than May fifteenth, August fifteenth and November fifteenth, annually, for a quarterly statement, each United States branch shall file with the commissioner and the National Association of Insurance Commissioners:

(1) Annual and quarterly statements of the insurance business transacted in the United States, the assets held by or for such United States branch in the United States for the protection of policyholders and creditors in the United States and the liabilities in the United States incurred by such United States branch against such assets. The annual statement shall be filed not later than March first. The annual and quarterly statements shall not include any information about the alien insurer's or United States branch's business, assets or liabilities without the United States, and shall be in the same format required of a domestic insurer licensed to write the same kind of insurance;

(2) Annual and quarterly statements, in such form as the commissioner prescribes, of trusteed surplus as of the end of the same period covered by a statement filed pursuant to subdivision (1) of this subsection. In determining the net amount to be reported in the statement of trusteed surplus of the United States branch's liabilities in the United States, the United States branch shall adjust the total liabilities reported in the corresponding statement filed pursuant to subdivision (1) of this subsection as follows:

(A) Add back the liabilities used to offset admitted assets reported in such corresponding statement; and

(B) Deduct:

(i) Unearned premiums on insurance producers' balances or uncollected premiums not more than ninety days past due, not exceeding unearned premium reserves carried on such uncollected

premiums;

(ii) Reinsurance on losses with authorized insurers, less unpaid reinsurance premiums;

(iii) Reinsurance recoverables on paid losses from unauthorized insurers that are included as assets in such corresponding statement, but only to the extent a liability for such unauthorized recoverables is included in the liabilities report in the statement of trusteed surplus;

(iv) Special state deposits held for the exclusive benefit of policyholders, or policyholders and creditors, of such United States branch, in any particular state, not exceeding the net liabilities reported by such United States branch for that state;

(v) Secured accrued retrospective premiums;

(vi) If such United States branch is transacting life insurance, (I) the amount of its policy loans to policyholders in the United States, not exceeding the amount of legal reserve required on each such policy, and (II) the net amount of uncollected and deferred premiums; and

(vii) Any other nontrusteed asset the commissioner determines secures liabilities in a substantially similar manner.

(b) The commissioner may require additional information to be provided in the annual or quarterly statements filed pursuant to subsection (a) of this section relating to the total business or assets or any portion thereof of the alien insurer.

(c) A manager, attorney-in-fact or a duly empowered assistant manager of the United States branch shall sign and verify the annual statement of insurance business transacted and annual statement of trusteed surplus under subsection (a) of this section. The trustee or trustees of a trust that hold securities and other property shall certify

such holdings in the annual statement of trusteed surplus.

(d) Each examination report of a United States branch shall include a statement of trusteed surplus as of the date of examination in addition to the general statement of the financial condition of the United States branch.

Sec. 20. (NEW) (*Effective from passage*) (a) Before issuing or renewing a United States branch's license under section 18 of this act, the commissioner may require satisfactory proof, in the alien insurer's charter or by a duly certified resolution of such insurer's board of directors or as otherwise required by the commissioner, that such insurer and United States branch will not engage in any insurance business (1) in violation of sections 17 to 21, inclusive, of this act, or (2) that is not authorized by such insurer's charter.

(b) The commissioner shall renew a United States branch's license under section 18 of this act if the commissioner is satisfied that neither the alien insurer nor the United States branch is in violation of any provision of sections 17 to 21, inclusive, of this act and that such renewal will not be hazardous or prejudicial to the best interests of the residents of this state.

(c) The commissioner shall not authorize a United States branch to (1) transact in this state any kind of insurance business or any combination of kinds of insurance that are prohibited for domestic insurers, or (2) transact the business of insurance in this state if such United States branch transacts anywhere in the United States any kind of business other than the business of insurance or business necessarily or properly incidental to the kind of insurance such United States branch seeks to transact in this state.

(d) The commissioner shall not authorize or reauthorize a United States branch to transact the business of insurance in this state if such

United States branch fails to (1) substantially comply with any provision of sections 17 to 21, inclusive, of this act that the commissioner deems necessary to protect the interests of the policyholders of such United States branch, or (2) keep complete and accurate records of its insurance transactions. Such records shall be made available at the principal office of such United States branch for inspection by the commissioner.

(e) The commissioner may commence a proceeding pursuant to chapter 704c of the general statutes against a United States branch as an insurer whose condition is such that its further transaction of business will be hazardous to its policyholders, its creditors or the public, in the United States, when it appears to the commissioner from any annual or quarterly statement required under subsection (a) of section 19 of this act or any other report that the funds in the trust account of the United States branch of such insurer has been reduced below the minimum amount required to be maintained under subdivision (2) of subsection (a) of section 18 of this act.

Sec. 21. (NEW) (*Effective from passage*) (a) An alien insurer whose United States branch is licensed under section 18 of this act may, with the prior written approval of the commissioner, domesticate its United States branch in accordance with the provisions of this section.

(b) (1) Such alien insurer shall enter into a domestication agreement in writing with a domestic insurer that provides for the domestic insurer to succeed to all the business and assets and to assume all the liabilities of the United States branch. The agreement shall be effectuated, upon approval by the commissioner, by the filing of an instrument of transfer and assumption as set forth in subdivision (4) of this section.

(2) The alien insurer shall approve any such domestication agreement in accordance with the laws of the country under which the

alien insurer is organized. The president or a vice president of the domestic insurer shall execute, the board of directors of the domestic insurer shall approve and the secretary of the domestic insurer shall certify under corporate seal, any such domestication agreement.

(3) The alien insurer and the domestic insurer shall submit to the commissioner for approval their respective copies of the executed domestication agreement and certified copies of their corporate proceedings approving such agreement. The commissioner shall approve such agreement if the commissioner finds that such agreement complies with the provisions of this section and that the interests of the policyholders of the United States branch and the domestic insurer will not be materially adversely affected. The commissioner shall approve or disapprove such agreement not later than sixty days after the later of the two insurers' submissions.

(4) (A) The alien insurer or the domestic insurer shall file with the commissioner a certified copy of the instrument of transfer and assumption pursuant to which the domestic insurer succeeds to all the business and assets and assumes all the liabilities of the United States branch. Such instrument shall be in a form satisfactory to the commissioner and executed by an authorized representative of the alien insurer and the domestic insurer. Upon such filing, the transfer shall be deemed effective and all rights, franchises and interests of the United States branch in and to every species of property and all liabilities of and actions relating to such United States branch shall be transferred to and vested in the domestic insurer.

(B) The commissioner shall, contemporaneously with the effectuation of the domestication agreement, direct the trustee or trustees of the United States branch's trust account to pay or transfer to the domestic insurer all trusteed assets, if any, held by such trust.

(C) For purposes of complying with any laws related to the age of

companies, the domestic insurer shall be deemed to be the age of the older of the two insurers that are party to the domestication agreement.

(5) All deposits of the United States branch held by the commissioner, state officers or state regulatory agencies shall be deemed to be held as security for the satisfaction of liabilities to policyholders in the United States assumed by the domestic insurer from the United States branch. Such deposits shall be deemed assets of the domestic insurer and shall be reported as such in annual financial statements and other reports the domestic insurer is required to file. Upon the ultimate release of any such deposits by the commissioner, state officer or state regulatory agency, the cash or securities or both constituting such released deposit shall be paid or delivered to the domestic insurer as the lawful successor in interest to the United States branch.

Sec. 22. Subsection (c) of section 38a-72 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage*):

(c) No alien property, marine or casualty insurance company shall be licensed to transact business in this state unless it furnishes a certificate showing that it has, for the protection of all policyholders, a cash deposit with the Treasurer of this state, or with the proper officer of some other state, of not less than the minimum capital and surplus requirements for similar foreign insurance companies or seven hundred and fifty thousand dollars, whichever amount is less; nor unless it has a trusteed surplus, as defined in section **[**38a-74**]** 16 of this act, at least as great as the minimum capital and surplus requirements for similar foreign insurance companies.

Sec. 23. Section 38a-317 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage*):

An owner of a mobile home shall be a homeowner for purposes of sections 38a-72, **[**to 38a-75, inclusive**]** as amended by this act, 38a-73, 38a-285, 38a-305 to 38a-318, inclusive, 38a-328, 38a-663 to 38a-696, inclusive, 38a-827 and 38a-894 to 38a-898, inclusive, and homeowners policies as regulated under said sections shall be offered on the same terms to such an owner as to other homeowners, when such owner of a mobile home owns and occupies a mobile dwelling equipped for year-round living **[**which**]** that is permanently attached to a permanent foundation on property owned or leased by such owner of a mobile home, is connected to utilities, is assessed as real property on the tax list of the town in which it is located and is in conformance with applicable state and local laws and ordinances.

Sec. 24. Section 38a-905 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage*):

For the purposes of sections 38a-903 to 38a-961, inclusive:

(1) "Alien insurer domiciled in this state" means a United States branch.

[(1)**]** (2) "Ancillary state" means any state other than a domiciliary state.

[(2)**]** (3) "Commissioner" means the Insurance Commissioner.

[(3)**]** (4) "Commodity contract" means: (A) A contract for the purchase or sale of a commodity for future delivery on, or subject to the rules of, a board of trade designated as a contract market by the Commodity Futures Trading Commission under the Commodity Exchange Act (7 USC 1 et seq.) or board of trade outside the United States; (B) an agreement that is subject to regulation under Section 19 of the Commodity Exchange Act (7 USC 1, et seq.) and that is commonly known to the commodities trade as a margin account, margin contract, leverage account or leverage contract; or (C) an

agreement or transaction that is subject to regulation under section 4c(b) of the Commodity Exchange Act (7 USC 1 et seq.) and that is commonly known to the commodities trade as a commodity option.

[(4)**]** (5) "Creditor" **[**is**]** means a person having any claim, whether matured or unmatured, liquidated or unliquidated, secured or unsecured, absolute, fixed or contingent.

[(5)**]** (6) "Delinquency proceeding" means any proceeding instituted against an insurer for the purpose of liquidating, rehabilitating, reorganizing or conserving such insurer, and any summary proceeding under section 38a-912. "Formal delinquency proceeding" means any liquidation or rehabilitation proceeding.

[(6)**]** (7) "Doing business", "doing insurance business" and the "business of insurance", includes any of the following acts, whether effected by mail or otherwise: (A) The issuance or delivery of contracts of insurance, either to persons resident in or covering a risk located in this state; (B) the solicitation of applications for such contracts or other negotiations preliminary to the execution of such contracts; (C) the collection of premiums, membership fees, assessments or other consideration for such contracts; (D) the transaction of matters subsequent to execution of such contracts and arising out of them; or (E) operating under a license or certificate of authority, as an insurer, issued by the Insurance Department.

[(7)**]** (8) "Domiciliary state" means the state in which an insurer is incorporated or organized, or, in the case of an alien insurer, its state of entry.

[(8)**]** (9) "Fair consideration" is given for property or obligation: (A) When in exchange for such property or obligation, as a fair equivalent therefor, and in good faith, property is conveyed or services are rendered or an obligation is incurred or an antecedent debt is satisfied;

or (B) when such property or obligation is received in good faith to secure a present advance or antecedent debt in an amount not disproportionately small as compared to the value of the property or obligation obtained.

[(9)**]** (10) "Foreign country" has the same meaning **[**assigned to it**]** as provided in section 38a-1.

[(10)**]** (11) "Forward contract" means a contract, other than a commodity contract, for the purchase, sale or transfer of a commodity, as defined in Section 1 of the Commodity Exchange Act (7 USC 1 et seq.), or any similar good, article, service, right or interest that is presently or in the future becomes the subject of dealing in the forward contract trade, or product or by-product thereof, with a maturity date more than two days after the date the contract is entered into, including, but not limited to, a repurchase transaction, reverse repurchase transaction, unallocated hedge transaction, deposit, loan, option, allocated transaction or a combination of these or option on any of them.

[(11)**]** (12) "General assets" includes all property, real, personal or otherwise, not specifically mortgaged, pledged, deposited or otherwise encumbered for the security or benefit of specified persons or classes of persons. As to specifically encumbered property, "general assets" includes all such property or its proceeds in excess of the amount necessary to discharge the sum or sums secured thereby. Assets held in trust and on deposit for the security or benefit of all policyholders or all policyholders and creditors, in more than a single state, shall be treated as general assets.

[(12)**]** (13) "Guaranty association" means the Connecticut Insurance Guaranty Association established pursuant to sections 38a-836 to 38a-853, inclusive, the Connecticut Life and Health Insurance Guaranty Association established pursuant to sections 38a-858 to 38a-875,

inclusive, and any other similar entity created by the General Assembly for the payment of claims of insolvent insurers. "Foreign guaranty association" means any similar entities created by the legislature of any other state.

[(13)**]** (14) "Insolvency" and "insolvent" have the **[**meanings assigned to them**]** same meanings as provided in section 38a-1.

[(14)**]** (15) "Insurer" means any person who has done, purports to do, is doing or is licensed to do an insurance business, and is or has been subject to the authority of, or to liquidation, rehabilitation, reorganization, supervision or conservation by, any insurance commissioner. For purposes of sections 38a-903 to 38a-961, inclusive, any other persons included under section 38a-904 shall be deemed to be insurers.

[(15)**]** (16) "Netting agreement" means a contract or agreement, including terms and conditions incorporated by reference therein, including a master agreement, which master agreement, together with all schedules, confirmations, definitions and addenda thereto and transactions under any thereof, shall be treated as one netting agreement, that (A) documents one or more transactions between the parties to the agreement for or involving one or more qualified financial contracts and (B) provides for the netting or liquidation of qualified financial contracts or present or future payment obligations or payment entitlements thereunder, including liquidation or closeout values relating to such obligations or entitlements, among the parties to the netting agreement.

[(16)**]** (17) "Preferred claim" means any claim with respect to which the terms of sections 38a-903 to 38a-961, inclusive, accord priority of payment from the general assets of the insurer.

[(17)**]** (18) "Qualified financial contract" means a commodity

contract, forward contract, repurchase agreement, securities contract, swap agreement and any similar agreement that the commissioner determines to be a qualified financial contract for the purposes of this chapter.

[(18)**]** (19) "Receiver" means receiver, liquidator, rehabilitator or conservator, as the context requires.

[(19)**]** (20) "Reciprocal state" means any state other than this state in which in substance and effect sections 38a-920, 38a-954, 38a-955 and 38a-957 to 38a-959, inclusive, are in force and in which provisions are in force, requiring that the commissioner or equivalent official be the receiver of a delinquent insurer and in which some provision exists for the avoidance of fraudulent conveyances and preferential transfers.

[(20)**]** (21) "Repurchase agreement" and "reverse repurchase agreement" mean an agreement, including related terms, that provides for the transfer of certificates of deposit, eligible bankers' acceptances, or securities that are direct obligations of, or that are fully guaranteed as to principal and interest by, the United States or an agency of the United States against the transfer of funds by the transferee of the certificates of deposit, eligible bankers' acceptances or securities with a simultaneous agreement by the transferee to transfer to the transferor certificates of deposit, eligible bankers' acceptances or securities as described in this subdivision, at a date certain not later than one year after the transfers or on demand, against the transfer of funds. For the purposes of this subdivision, the items that may be subject to an agreement include mortgage-related securities, a mortgage loan, and an interest in a mortgage loan, and shall not include any participation in a commercial mortgage loan, unless the commissioner determines to include the participation within the meaning of the term.

[(21)**]** (22) "Secured claim" means any claim secured by an asset that is not a general asset. "Secured claim" also includes claims which have

become liens upon specific assets by reason of judicial process prior to four months before the commencement of delinquency proceedings. "Secured claim" does not include a special deposit claim or a claim arising from a constructive or resulting trust.

[(22)**]** (23) "Securities contract" means a contract for the purchase, sale or loan of a security, including an option for the repurchase or sale of a security, certificate of deposit, or group or index of securities, including an interest therein or based on the value thereof, or an option entered into on a national securities exchange relating to foreign currencies, or the guarantee of a settlement of cash or securities by or to a securities clearing agency. For the purposes of this subdivision, "security" includes a mortgage loan, mortgage-related securities, and an interest in any mortgage loan or mortgage-related security.

[(23)**]** (24) "Special deposit claim" means any claim secured by a deposit made pursuant to a state statute for the security or benefit of a limited class or classes of persons, but does not include any claim secured by general assets.

[(24) "State" means any state, district or territory of the United States.**]**

(25) "State" has the same meaning as provided in section 38a-1.

[(25)**]** (26) "Swap agreement" means an agreement, including the terms and conditions incorporated by reference in an agreement, that is a rate swap agreement, basis swap, commodity swap, forward rate agreement, interest rate future, interest rate option, forward foreign exchange agreement, spot foreign exchange agreement, rate cap agreement, rate floor agreement, rate collar agreement, currency swap agreement, cross-currency rate swap agreement, currency future, or currency option or any other similar agreement, and includes any

combination of agreements and an option to enter into an agreement.

[(26)**]** (27) "Transfer" includes the sale and every other and different mode, direct or indirect, of disposing of or of parting with property or with an interest therein, or with the possession thereof or of fixing a lien upon property or upon an interest therein, absolutely or conditionally, voluntarily, by or without judicial proceedings. The retention of a security title to property delivered to a debtor shall be deemed a transfer suffered by the debtor.

(28) "United States branch" has the same meaning as provided in section 16 of this act.

Sec. 25. Section 38a-914 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage*):

The commissioner may apply by petition to the Superior Court for an order authorizing **[**him**]** the commissioner to rehabilitate a domestic insurer or an alien insurer domiciled in this state on any one or more of the following grounds:

[(a)**]** (1) The insurer is in such condition that the further transaction of business would be hazardous, financially, to its policyholders, creditors or the public.

[(b)**]** (2) There is reasonable cause to believe that there has been embezzlement from the insurer, wrongful sequestration or diversion of the insurer's assets, forgery or fraud affecting the insurer, or other illegal conduct in, by, or with respect to the insurer that if established would endanger assets in an amount threatening the solvency of the insurer.

[(c)**]** (3) The insurer has failed to remove any person who in fact has executive authority in the insurer, whether an officer, manager, general agent, employee, or other person, if the person has been found after

notice and hearing by the commissioner to be dishonest or untrustworthy in a way affecting the insurer's business.

[(d)**]** (4) Control of the insurer, whether by stock ownership or otherwise, and whether direct or indirect, is in a person or persons found after notice and hearing to be dishonest or untrustworthy.

[(e)**]** (5) Any person who in fact has executive authority in the insurer, whether an officer, manager, general agent, director or trustee, employee or other person has refused to be examined under oath by the commissioner concerning its affairs, whether in this state or elsewhere, and after reasonable notice of the fact the insurer has failed promptly and effectively to terminate the employment and status of the person and all **[**his**]** such person's influence on management.

[(f)**]** (6) After demand by the commissioner pursuant to section 38a-14 or **[**pursuant to**]** sections 38a-903 to 38a-961, inclusive, the insurer has failed to promptly make available for examination any of its own property, books, accounts, documents or other records, or those of any subsidiary or related company within the control of the insurer, or those of any person having executive authority in the insurer so far as they pertain to the insurer.

[(g)**]** (7) Without first obtaining the written consent of the commissioner, (A) the insurer has transferred or attempted to transfer, in a manner contrary to section 38a-136, substantially its entire property or business, or has entered into any transaction the effect of which is to merge, consolidate or reinsure substantially its entire property or business in or with the property or business of any other person, or (B) the United States branch has transferred or attempted to transfer, in a manner contrary to section 18 of this act, substantially its entire property or business, or has entered into any transaction the effect of which is to merge, consolidate or reinsure substantially its entire property or business in or with the property or business of any

other person.

[(h)**]** (8) The insurer or its property has been or is the subject of an application for the appointment of a receiver, trustee, custodian, conservator or sequestrator or similar fiduciary of the insurer or its property **[**otherwise**]** other than as authorized under the insurance laws of this state, and such appointment has been made or is imminent, and such appointment might oust the courts of this state of jurisdiction or might prejudice orderly delinquency proceedings under sections 38a-903 to 38a-961, inclusive.

[(i)**]** (9) Within the previous four years the insurer has wilfully violated its charter or articles of incorporation, its bylaws, any insurance laws of this state or any valid order of the commissioner.

[(j)**]** (10) The insurer has failed to pay within sixty days after due date any obligation to any state or any subdivision thereof or any judgment entered in any state, if the court in which such judgment was entered had jurisdiction over such subject matter, except that such nonpayment shall not be a ground until sixty days after any good faith effort by the insurer to contest the obligation has been terminated, whether it is before the commissioner or in the courts, or the insurer has systematically attempted to compromise or renegotiate previously agreed settlements with its creditors on the ground that it is financially unable to pay its obligations in full.

[(k)**]** (11) The insurer has failed to file its annual report or other financial report required by statute within the time allowed by law and, after written demand by the commissioner, has failed to give an adequate explanation immediately.

[(l)**]** (12) The board of directors or the holders of a majority of the shares entitled to vote, or a majority of those individuals entitled to the control of those entities specified in section 38a-904, request or consent

to rehabilitation under sections 38a-903 to 38a-961, inclusive.

Sec. 26. Sections 38a-74 and 38a-75 of the general statutes are repealed. (*Effective from passage*)

Approved June 6, 2014